

Message Text

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ACTION EUR-12

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SUBJECT: DOW-INA JOINT VENTURE

REF: STATE 91409

1. A HIGH LEVEL DOW OFFICIAL WITH WHOM WE HAVE DISCUSSED
"TECHNICAL PROBLEMS" MENTIONED IN REFTEL, IS OPTIMISTIC THAT
A SOLUTION WILL BE FOUND.

2. A DOW TEAM HAE BEEN IN ZAGREB SEVERAL TIMES DURING THE PAST
THREE WEEKS FOR A SERIES OF MEETINGS WITH INA AND REPUBLICAN
GOVERNMENT OFFICIALS, AND DISCUSSIONS AND NEGOTIATIONS ARE
CONTINUING. DOW REP WITH WHOM WE SPOKE CHARACTERIZED PROBLEM
AS HAVING TWO DIMENSIONS: FIRST, AND HE SAID THIS WAS NOT AT
ALL UNUSUAL TO ENCOUNTER AT THIS STAGE OF A NEW JOINT VENTURE,
IS A SIMPLE DIFFERENCE OF OPINION AS TO WHAT CERTAIN PROVISIONS
IN JOINT VENTURE AGREEMENT MEAN. THESE PROVISIONS NOW HAVE TO
BE SPELLED OUT IN FURTHER DETAIL AND IN A MANNER THAT PERMITS
THE SAME INTERPRETATION BY BOTH SIDES. SECONDLY, DOW VIEWS
THE JOINT VENTURE AS A LONG TERM PROPOSITION, AND
THEREFORE SHORT TERM SOLUTIONS DO NOT FIT THE NEEDS
OF THE NEW OPERATION. (COMMENT: YUGOSLAVS, WE UNDERSTAND,
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HAVE TALKED IN TERMS OF DUTY LEVELS AND EXPORT INCENTIVES
BEING GUARANTEED ONLY FOR DURATION OF CURRENT FIVE-YEAR PLAN.)

3. A FURTHER COMPLICATION AT THE MOMENT IS THE ROLE OF INA.
GOVERNMENT (PRESUMABLY FEDERAL LEVEL) HAS SAID THAT INA, AS
SIGNER OF ENTERPRISE-TO-ENTERPRISE AGREEMENT, IS THE APPROPRI-
ATE PARTY TO TAKE ON RESPONSIBILITY FOR ECONOMIC GUARANTEES

DESIRED BY DOW, NOT YUGOSLAV GOVERNMENT. HOWEVER, DOW FEELS THAT A PARTNER BURDENED IN THIS FASHION WILL, AT SOME TIME IN THE FUTURE IF THE GUARANTEES ARE CALLED, BECOME AN UNHAPPY PARTNER. THE POSITION OF THE GOVERNMENT THAT AN ENTERPRISE SHOULD UNDERWRITE INVESTMENT INCENTIVES, A TRADITIONAL GOVERNMENTAL FUNCTION IS, IN DOW'S VIEW, SOMEWHAT CONTRIVED. ON THIS PARTICULAR ISSUE, ACCORDING TO DOW REP, INA FINDS ITSELF IN AN AWKWARD POSITION. PRIVATELY, AND FOR OBVIOUS ECONOMIC REASONS, INA SIDES WITH DOW. HOWEVER, FOR THE RECORD AND TO SHOW THE PROPER DEGREE OF YUGOSLAV UNANIMITY, INA HAS HAD TO TAKE A "PUBLIC POSITION SUPPORTING THE GOVERNMENT'S INTERPRETATION OF WHICH PARTY IS TO PROVIDE THE INVESTMENT INCENTIVES. (COMMENT: THE THESIS THAT UNDER SELF-MANAGEMENT A LARGE AND SUCCESSFUL ENTERPRISE LIKE INA SHOULD PLAY A MAJOR ROLE IN SHAPING THE REPUBLIC'S DEVELOPMENT PROGRAM WAS SET FORTH IN AN APRIL 27 TELEVISION INTERVIEW BY MILKA PLANINC, PRESIDENT OF THE CENTRAL COMMITTEE OF THE CROATIAN LC. SHE STATED SPECIFICALLY THAT INA HAS BOTH THE FINANCIAL MEANS AND THE EXPERTISE AND THEREFORE FOR CERTAIN TYPES OF PROJECTS CAN BETTER TAKE ON THE RESPONSIBILITY FOR ECONOMIC DEVELOPMENT THAN OFFICIAL ORGANS.)

4. DOW REP DESCRIBED PRESENT STATUS OF NEGOTIATIONS/DISCUSSIONS AS "EACH SIDE HAS NOW WRITTEN AN 8-PAGE MEMORANDUM SETTING FORTH ITS INTERPRETATION OF THE JOINT-VENTURE AGREEMENT. IN MANY RESPECTS THE TWO DOCUMENTS ARE SIMILAR, AND THERE ARE NOW ONLY A FEW DIFFERENCES TO BE RERONCILED." WHEN ASKED WHETHER HE THOUGHT REMAINING DIFFERENCES COULD BE BRIDGED, HE REPLIED THAT GIVEN YUGOSLAV PROPENSITY FOR FINDING A WAY TO COMPROMISE, HE WAS CONFIDENT THEY WOULD COME UP WITH A FORMULA THAT WOULD SATISFY LIMITED OFFICIAL USE

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BOTH SIDES. NO TIME FRAME WAS SPECIFIED.

5. THERE WAS NO SUGGESTION THAT THE PRESENT IMPASSE HAS DELAYED THE START OF CONSTRUCTION. DOW REP SAID MINI STAFF WHICH IS NOW WORKING IN RIJEKA, IS CONCERNED MAINLY WITH APPLYING FOR VARIOUS PERMITS, ATTENDING HEARINGS, ETC. (SEE ZAGREB A-06). AND THIS PROCESS "IS JUST GETTING STARTED."

6. COMMENT: WHILE IT IS TOO EARLY TO PROGNOSTICATE FINAL OUTCOME, NOTEWORTHY AT THIS TIME ARE CONTINUING, HEAVY SCHEDULE OF MEETINGS AND UPBEAT OUTLOOK OF DOW REP. WE WILL FOLLOW SITUATION AND REPORT FURTHER AS ADDITIONAL INFORMATION BECOMES AVAILABLE. KAISER

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